

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 20224

Industry Circular No. 65-39

December 30, 1965

RECORDS OF SWEETENING

Proprietors of bonded wine cellars
and others concerned:

Purpose. This Circular is issued to provide you with additional information concerning the proposed rule making to amend 26 CFR Part 240, Wine, a copy of which was furnished you with Industry Circular No. 65-36, dated December 15, 1965.

Record of Sweetening. After further consideration of the proposed amendments, it is proposed to add a new section 240.914b, Record of Sweetening, and to revise section 240.368(b)(3) to reflect the addition. The new section 240.914b would prescribe records which must be maintained when wine is sweetened under section 240.368(b)(2). For your information and use in planning records commencing January 1, 1966, the text of proposed section 240.914b is set forth below:

§ 240.914b Record of sweetening.

(a) General. Each proprietor who sweetens natural wine of his own production under the provisions of § 240.368(b)(2), shall maintain, as prescribed in this section, daily records of such sweetening. Separate records shall be kept for each kind of fruit or berries, including grapes. No form of record is prescribed, but the records maintained shall contain all data necessary to enable internal revenue officers to readily ascertain whether the limitations prescribed in § 240.368(b)(2), have been complied with. All quantities shall be recorded in gallons, and, where dry sugar is used, the quantity shall be determined either by measuring the increase in volume or by considering that each 13.5 pounds of dry sugar results in a volumetric increase of one gallon. Each separate record shall include the following:

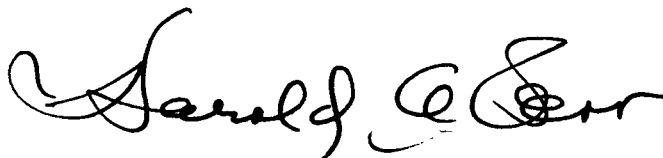
- (1) The quantity of wine to be sweetened.
- (2) The quantity of sweetening material to which the wine would be entitled (the sum of the gallons of juice (after adjustment, if any, of total solids) from which the wine was produced and the gallons of allowable ameliorating material to which such juice was entitled, multiplied by 0.0675).
- (3) The quantity of wine used for sweetening.
- (4) The kind (pure dry sugar or liquid sugar) and quantity of sweetening material used.
- (5) The quantity of wine produced by sweetening.
- (6) The quantity of wine remaining to be sweetened.
- (7) The quantity of sweetening material remaining unused.

Supporting records shall be maintained showing the basis for entries in the separate records. The quantity of wine used for sweetening and the quantity of wine produced by sweetening, recorded in the separate records, shall be totaled daily and entered on the record of still wine required by § 240.908. The records of sweetening shall be maintained on the basis of annual accounting periods, with each period commencing on July 1 of a year and ending on June 30 of the following year: Provided, That the record for an accounting period shall continue after June 30, where the wine included therein is to be held after that date for completion of sweetening. When the sweetening of wine included in the record for one accounting period is complete, the record shall be closed and any unused sweetening material shall not be used. Wines included in the records for different accounting periods shall not be mixed with each other until the sweetening of both wines is complete.

(b) Variations. Notwithstanding the provisions of paragraph (a) of this section prohibiting the mixing of wines included in the records for different accounting periods, the assistant regional commissioner may, pursuant to written application, authorize a winemaker to mix such wines, before sweetening of such wines has been completed, when the assistant regional commissioner finds that the winemaker maintains such other records, in addition to those required by paragraph (a) of this section, as are necessary (1) to establish the quantity of sweetening material to which the resultant mixture would be entitled, and (2) to enable internal revenue officers to readily ascertain whether the limitations on sweetening have been complied with. Each application for variation under this paragraph shall be filed in duplicate, shall state the need for the variation, and shall describe the additional records to be maintained.
(72 Stat. 1381; 26 U.S.C. 5367)

Wine Withdrawn from Reserve Inventory as of December 31, 1965. Wine withdrawn from reserve inventory, and the balance of sugar credits in the reserve account, as of December 31, 1965, should not be transferred to the records of sweetening under the section quoted above. The sweetening of such wine should be completed as provided for in Revenue Procedure 66-2 (I.R.B. 1966-1, dated January 3, 1966), which is outlined in Industry Circular No. 65-37, dated December 15, 1965.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



Harold A. Serr
Director, Alcohol and Tobacco Tax Division